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Global Agricultural Information Network

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Chile

Dairy and Products Annual

Whole and Non Fat Dry Milk Annual Report

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Report Highlights:

Chile's dairy production is expected to increase again this year, as weather has been more favorable for grass production which is the primary feed input for milk production.

Executive Summary:

Chile's milk production is expected to increase slightly in 2014, as a result of better weather conditions for pasture production. Chilean milk producers are expecting the industry to expand slightly this year by 1 percent as large producers increase their operations, as well as improvements in farm technology and animal genetics.

Commodities:

Select

Production:

Chile's total milk output increased 1.13 percent from 2.65 billion in 2012 to 2.68 billion liters in 2013.

Production increased at a slower rate than during the previous year, due to adverse weather conditions during September - December 2013, due to decreased precipitation and higher than normal temperatures delayed the growth of pastures in major milk producing areas. Approximately 80 percent of Chile's milk production herd is fed by grazing in fields, and supplemental feed is used mainly by large producers and during the winter months.

Better weather conditions during the spring 2014 positively contributed to the pasture available for dairy herds to feed off of. Thus, also contributing to Chile's total milk production increasing slightly higher than in 2013 less than last year. Total dairy production is estimated to increase nominally by one percent in 2014.

TABLE - Dairy Production								
	Total Rec'd by Industry	Fluid Milk	Dry Milk	Butter	Cheese	Farmers Cheese	Yogurt (Million Liters)	Conden. Milk
Year	--Million Liters--	-----Thousand Kilograms-----						
1980	592	127	32,566	4,016	13,902	3,868	15,054	7,835
1990	890	138	45,126	6,448	24,513	5,422	0,939	8,325
1995	1,358	225	61,418	6,651	40,816	5,873	67,663	8,674
1997	1,497	271	65,726	9,582	43,712	7,106	79,423	10,219
1998	1,530	269	70,877	11,159	46,528	7,631	82,243	13,244
1999	1,470	279	60,597	11,007	44,777	7,034	100,203	15,742
2000	1,447	275	59,669	9,855	44,718	7,167	106,624	24,400
2001	1,637	291	71,464	11,836	50,417	7,150	95,249	25,418
2002	1,605	296	67,710	11,551	53,075	7,480	127,057	24,190
2003	1,563	293	61,867	10,849	53,037	7,555	139,344	30,558
2004	1,676	289	63,633	13,084	58,849	8,296	159,828	38,698
2005	1,723	298	62,792	14,655	67,176	10,507	189,436	39,645
2006	1,818	319	69,491	17,157	62,072	9,088	157,980	43,426
2007	1,871	330	74,204	18,229	61,745	8,579	162,505	45,287
2008	1,972	323	102,955	16,765	57,369	7,960	178,215	41,501

2009	1,773	341	73,431	17,102	56,526	8,139	191,933	33,255
2010	1,896	367	82,321	21,086	64,558	8,349	198,825	36,829
2011	2,104	369	92,812	21,041	80,620	9,135	222,063	34,579
2012	2,119	389	93,197	22,205	82,307	9,049	229,996	39,828
2013	2,149	398	95,993	21,566	89,046	9,104	228,590	36,302
2013*	1,292	267	52,292	14,308	54,882	6,057	152,785	21,523
2014**	1,270	280	52,426	13,210	54,722	6,020	151,915	21,099
Note: Year 2013* January through August								
Year 2014** January through August								
Source: Ministry of Agriculture								

Chile currently has an estimated 16,000 dairy farmers with approximately 460,000 cows in production, of which 80 percent are considered small producers and the whole dairy industry employs directly and indirectly an estimated 35,000 persons.

Trade:

Historically, Latin American countries have been the main destination for Chile's dairy exports, led by Mexico. Nearly 50 percent of its production was exported in the form of whole dry and condensed milk.

Chile's Milk Product Exports by Country of Destination			
January - August			
Countries	Value (Thousand US\$ FOB)		Participation
	2013	2014	%
México	38,088	30,176	15.2
China	7,329	26,195	13.2
Venezuela	5,763	17,678	8.9
Peru	12,554	15,482	7.8
Brazil	15,621	11,780	5.9
Nicaragua	10,075	9,944	5.0
Algeria	0	8,779	4.4
Panama	5,342	8,060	4.1
United States	7,434	7,582	3.8
South Korea	4,963	7,470	3.8
Other	60,218	55,300	27.9
Total	167,387	198,446	100.0

Source: Ministry of Agriculture

New Zealand became the top supplier of dairy products to Chile in 2013. The US was Chile's third supplier of dairy products after New Zealand. The value of Chile's dairy products imports increased again during 2013 as a result of a fall in the exchange rate. As a result of an increase in imports of milk products from New Zealand, Chile imposed a three percent surcharge on cheese and butter imports (see Gain Report CI1407). The surcharge had no effect on total imports as it was only in effect for 20 days. There was no request of extending or renewing it by the Industry or the GOC.

Chile's Milk Product Imports by Country of Origin			
January - July			
Countries	Value (Thousand US\$ CIF)		Part.
	2013	2014	%
New Zealand	43,714	65,205	39.7
Argentina	46,247	31,886	19.4
U.S.	31,380	28,335	17.3

Uruguay	5,063	7,896	4.8
Mexico	7,667	7,057	4.3
Brazil	4,304	4,832	2.9
Ireland	2,055	3,283	2.6
Netherlands	2,009	2,531	2.0
France	1,879	2,509	1.5
Peru	2,614	1,956	1.5
Others	3,425	8,558	4.0
Total	150,357	164,048	100.0

Source: Ministry of Agriculture

Chile's dairy imports exceed exports in 2013. In CY2013 the trade balance expressed in fluid milk equivalent fell significantly when compared to the previous year and preliminary figures for 2014 show a significant comeback.

Trade balance, January - August 2014								
Item	Volume (M.T. Thous.Ltrs)				Expressed in fluid milk equivalent (Thous. Liters)			
	2011	2012	2013	2014	2011	2012	2013	2014
IMPORTS								
UHT Products	103	1,241	343	31	103	1,241	343	31
NFDM	5,057	6,531	5,153	2,897	58,105	75,041	59,208	33,287
Whole dry milk	2,792	4,598	6,999	2,381	23,453	38,623	58,792	20,000
Cream	0	2	1	1	0	2	1	1
Evaporated milk	770	983	2,253	1,161	1,771	2,261	5,182	2,670
Condensed milk	112	48	106	210	302	130	286	567
Yogurt	1,672	146	107	50	1,672	146	107	50
Butter	829	614	2,094	4,984	829	614	2,094	4,984
Cheese	7,357	10,958	15,250	198,484	73,570	109,580	152,500	184,840
Caramel milk & others	1,797	3,145	3,316	3,412	3,953	12,040	12,256	14,028
Dairy drinks	20	1	37	1	20	1	37	1
Total					163,779	239,679	290,826	260,459
EXPORTS								
UHT Products	966	1,448	1,132	2,531	966	1,448	1,132	2,531
NFDM	1,675	4,352	123	1,440	19,246	50,004	1,413	16,546
Whole dry milk	12,069	10,696	10,070	12,855	101,380	89,846	84,588	107,982
Cream	134	296	190	201	134	296	190	201
Evaporated milk	2	1	85	40	5	2	196	92
Condensed milk	16,738	20,745	19,247	17,592	45,193	56,012	51,967	47,498
Yogurt	31	41	118	331	31	41	118	331
Butter	1,867	1,861	2,607	2,529	1,867	1,861	2,607	2,526
Cheese	6,820	5,711	5,322	5,811	68,200	57,110	53,220	58,110
Caramel milk & others	2,073	3,074	10,780	11,176	4,561	7,956	45,010	48,141
Dairy drinks	33	2,343	50	57	33	2,343	50	57
Total					241,614	266,919	240,491	284,018
Balance Jan- July					77,836	27,240	-50,336	23,559

Source: ODEPA.

Policy:

Although Chile bound its dairy product import duties (HS 04.02, 04.05, 04.06) at 31.5 percent in the Uruguay Round, a flat import tariff of 6 percent is applied on nearly all imported dairy products. Additionally, a value-added tax of 19 percent is

charged at the consumer level on all goods, domestic or imported. Chile has zero import duty only for Colombia and the United States for whole and non-fat dry milk as a result of the Free Trade Agreements with these countries. Non-fat dry milk has entered duty free from the U.S since 2007 and whole dry milk since 2011. Colombia has had duty free access for both, whole and non-fat dry milk since 2012. For all other countries that have signed agreements with Chile, dairy products are excluded from the tariff reduction schedule

As a result of Chile's trade agreements, the dairy industry expects to keep increasing exports by XXX% in the next 5 years?. The US – Chile FTA provides for a 3,500 metric ton (MT) duty free quota for Chilean dairy products. This volume increases 10 percent each year until Chile gains duty free access in 2016. The agreement with the EU offers a duty free quota of 1,500 Tons, with a yearly increment of 5 percent. Duties applied to these products are 40 and 38 percent respectively. No preferences were agreed for dairy products in the Chile-Japan trade agreement.

In an effort to increase domestic consumption of milk and milk products, the industry and producers continue their promotional campaigns. They have agreed to form and finance an association (Promolac) that manages the contributed funds in promotional campaigns, mainly through TV and printed media. Industry sources have indicated that such promotion has been an important factor in total domestic dairy product per capita consumption that reached 150 liters in CY2012.

U.S. import quotas Tariff-free dairy products (metric tons)				
Year	Milk powder	Condensed milk	Butter	Cheese
2004	828	489	300	1,432
2005	866	523	321	1,532
2006	948	560	343	1,639
2007	1,014	599	368	1,754
2008	1,085	641	393	1,877
2009	1,161	686	421	2,008
2010	1,243	734	450	2,149
2011	1,330	785	482	2,229
2012	1,423	840	515	2,460
2013	1,522	899	552	2,633
2014	1,629	962	590	2,817
2015	Unlimited			
Quotas allocated in order of arrival.				

Dairy: Chile's tariff reduction schedule in trade agreements ⁽¹⁾

Country of origin	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Whole milk powder 0402.2118										
Australia	4,284%	3,426%	2,568%	1,710%	0,852%	0%	0%	0%	0%	0%
Bolivia	Goods released from duties									
Canada	Current general tariff of 6%. Goods excluded from relief									
China	Free									
Colombia	2,04%	1,02%	0%							
Korea	Free									
Costa Rica	Current general tariff of 6%. Goods excluded from relief.									
Cuba	Current general tariff of 6%. Goods excluded from relief.									
Ecuador	Current general tariff of 6%. Goods excluded from relief.									
El Salvador	Current general tariff of 6%. Goods excluded from relief.									
US	0,75%	0,00%								
Guatemala	Current general tariff of 6%. Goods excluded from relief.									
Honduras	Free									
India	Current general tariff of 6%. Goods excluded from relief.									
Japan	Current general tariff of 6%. Goods excluded from relief.									
México	Current general tariff of 6%. Goods excluded from relief.									
Panamá	Free									
Peru	3,00%	1,98%	1,02%	0,00%						

Venezuela	Current general tariff of 6%. Goods excluded from relief.									
EFTA	Current general tariff of 6%. Goods excluded from relief.									
Island										
Norway										
Switzerland										
Mercosur	Free									
P4	6%	6%	5%	4%	3%	2%	1%	0%		
European Union	Current general tariff of 6%. Goods excluded from relief.									
NFDM 0402.1000										
Australia	4,284%	3,426%	2,568%	1,710%	0,852%	0%	0%	0%	0%	0%
Bolivia	Free									
Canada	Current general tariff of 6%. Goods excluded from relief.									
China	Free									
Colombia	2,04%	1,02%	0%							
So. Korea	Free									
Costa Rica	Current general tariff of 6%. Goods excluded from relief.									
Cuba	Current general tariff of 6%. Goods excluded from relief.									
Ecuador	Current general tariff of 6%. Goods excluded from relief.									
El Salvador	Current general tariff of 6%. Goods excluded from relief.									
US	Free									
Guatemala	Current general tariff of 6%. Goods excluded from relief.									
Honduras	Free									
India	Current general tariff of 6%. Goods excluded from relief.									
Japan	Current general tariff of 6%. Goods excluded from relief.									
México	Current general tariff of 6%. Goods excluded from relief.									
Panamá	Free									
Peru	3,00%	1,98%	1,02%	0,00%						
Venezuela	Current general tariff of 6%. Goods excluded from relief.									
EFTA	Current general tariff of 6%. Goods excluded from relief.									
Island										
Norway										
Switzerland										
Mercosur	Free									
P4	6%	6%	5%	4%	3%	2%	1%	0%		
European Union	Current general tariff of 6%. Goods excluded from relief.									

Dairy: tariff reduction schedule of the partner countries in trade agreements ⁽¹⁾										
Country of origin	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Whole milk powder 0402.2118										
Australia	Free									
Bolivia	Free									
Canada	Current general tariff of 264.9%. Goods excluded from relief									
China	5%	4%	3%	2%	1%	0%				
Colombia	13,20 %	6,80%	0%							
So. Korea	Current general tariff of 180,4%. Tariff reduction will be negotiated after Doha.									
Costa Rica	Current general tariff of 65%. Goods excluded from relief.									
Cuba	Free									
Ecuador	Current general tariff of 25%. Goods excluded from relief.									
El Salvador	Current general tariff of 15% y 20% depending on container. Goods excluded from relief.									
US	\$0,0/kg over	\$0,0/kg over	\$0,0/kg over	\$0,0/kg over	\$0,0/kg over	\$0,0/kg	\$0,0/kg	\$0,0/kg	\$0,0/kg	\$0,0/kg
	1,243 ton \$1.09 2/k	1.330 ton \$0.873/kg	1.423 ton \$0,655/kg	1.522 ton \$0.436/kg	1.629 ton \$0,218/kg	-	-	-	-	-

Guatemala	Current general tariff of 15%. Goods excluded from relief.									
Honduras	Current general tariff of 15% y 20% depending on container. Goods excluded from relief.									
India	Current general tariff of 60%. Goods excluded from relief.									
Japan	Current general tariff of 35%. Goods excluded from relief.									
México	Current general tariff of 63%. Tariff preference of 30% import permit con with preferential treatment otherwise a tariff is applied.									
Panamá	Current general tariff of 62%. Goods excluded from relief.									
Peru	Pay of additional variable levies to the advalorem tariff. In July of 2013 will enter free of duty.									
Venezuela	Current general tariff of 20%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 30%. Goods excluded from relief.									
Norway	Current general tariff of 23,99 Nok/kg. Goods excluded from relief.									
Switzerland	Current general tariff of 1340 Fr/100kg. Goods excluded from relief.									
Mercosur	Free									
P4	Free									
European Union	Current general tariff of 130,4 euro/100kg - 135,7 euro/100kg. Goods excluded from relief.									
NFDM 0402.1000										
Australia	Free									
Bolivia	Current general tariff of 10%. Product without preference.									
Canada	Current general tariff of 201% but not less than \$2,82/kg. Goods excluded from relief.									
China	5%	4%	3%	2%	1%	0%				
Colombia	13,20%	6,80%	0%							
So. Korea	Current general tariff of 180,4%. Tariff reduction will be negotiated after Doha.									
Costa Rica	Current general tariff of 65%. Goods excluded from relief.									
Cuba	Free									
Ecuador	Current general tariff of 25%. Goods excluded from relief.									
El Salvador	Current general tariff of 20%. Goods excluded from relief.									
US	\$0,0/kg over	\$0,0/kg over	\$0,0/kg over	\$0,0/kg over	\$0,0/kg over	\$0,0/kg	\$0,0/kg	\$0,0/kg	\$0,0/kg	\$0,0/kg
	734 ton 49,6cent/kg	785 ton 39,68cent/kg	840 ton 29,76cent/kg	899 ton 19,84cent/kg	962 ton 9,82cent/kg					
Guatemala	Current general tariff of 15%. Goods excluded from relief.									
Honduras	Current general tariff of 15%. Goods excluded from relief.									
India	Current general tariff of 60%. Goods excluded from relief.									
Japan	Current general tariff of 35%. Goods excluded from relief.									
México	Current general tariff of 63%. Tariff preference of 30% import permit with preferential treatment otherwise a tariff will be applied.									
Panamá	Current general tariff of 62%. Goods excluded from relief.									
Peru	Pay of additional variable levies to the advalorem tariff. In July of 2013 will enter free of duty.									
Venezuela	Current general tariff of 20%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 30%. Goods excluded from relief.									
Norway	Current general tariff of 22,87 Nok/kg. Goods excluded from relief.									
Switzerland	Current general tariff of 323 Fr/100kg. Goods excluded from relief.									
Mercosur	Free									

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P4	Free
European Union	Current general tariff of 118,8 euro/100kg - 125,4 euro/100kg. Goods excluded from relief.

Notes:

(1) Based on the Harmonized Commodity Description and Coding System, 8-digit level. This code can be different in each country.

(2) Whole powdered milk with fat content below 35%. For products with more than 35% fat is applied tariff of U.S. \$ 1,556 per kilo.

(3) It applies duty-free quota to 11 year life of the agreement. For amounts exceeding the duty-free quota entitlements would be maintained over years 1 to 7 and will remove tariffs from year 8 in five equal steps and made those goods duty free to count from January 1, 2012

Commodities:

Dairy, Dry Whole Milk Powder

Production: Close to 75 percent of Chile's production of dry milk is whole milk powder. Production of whole dry milk in CY2014 is expected to stay at nearly the same level as CY2013. For 2015, production of whole dry milk is only expected to increase slightly in spite of a predicted increase of milk output as was indicated by an industry contact.

Consumption:

Dry milk is available for sale in all Chilean supermarkets and smaller grocery stores. Families that do not consume large quantities of milk or do not have refrigerators to keep UHT fresh after opening prefer dry rather than fluid milk. Ultra high heat treated milk (UHT milk) is very common in Chile because you can store the containers for long time without refrigeration, but once opened the containers have to be kept in refrigerators. Government food programs also account for a significant proportion of dry milk consumption. Government tenders for dry milk may be filled by either domestic or imported product. During the winter months, the industry reconstitutes fluid milk from dry milk produced during the summer, in order to produce dairy products that have a constant demand throughout the year. Domestic consumption of dry milk will decrease slightly according to the Ministry of Agriculture projections. Fresh fluid milk, mainly UHT, consumption is replacing the fall of whole dry milk consumption.

Trade:

Chile's imports of whole dry milk depend on domestic production and on the exchange rate.

Although, Chile's milk processing industry projects an increase in its export markets in the coming years as they become more competitive and the price incentive increases, industry sources indicate that this will depend on the exchange rate with the US dollar. Chile's main export markets are in Latin America, particularly Venezuela, Peru, Colombia and Mexico.

Production, Supply and Demand Data Statistics:

Dairy, Dry Whole Milk Powder Chile	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	22	22	26	26		25
Production	75	82	75	82		83
Other Imports	8	8	7	4		4
Total Imports	8	8	7	4		4
Total Supply	105	112	108	112		112
Other Exports	12	19	13	22		23
Total Exports	12	19	13	22		23
Human Dom. Consumption	67	67	70	65		65
Other Use, Losses	0	0	0	0		0

